

## Community resources

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*courage is contagious*

## Viewing cable 09MANAGUA1145, NICARAGUA: CENTRAL BANK REPORTS OFFICIAL VENEZUELAN

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

### Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

### Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#09MANAGUA1145**.

Reference ID	Created	Released	Classification	Origin
<a href="#">09MANAGUA1145</a>	<a href="#">2009-12-18 18:14</a>	<a href="#">2011-08-30 01:44</a>	<a href="#">CONFIDENTIAL</a>	<a href="#">Embassy Managua</a>

Appears in these articles:

<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758456.aspx>  
<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758467.aspx>  
<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758468.aspx>  
<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758464.aspx>  
<http://www.confidencial.com.ni/articulo/4103/la-embusa-y-el-gabinete-de-ortega>  
<http://www.confidencial.com.ni/articulo/4104/d-rsquo-escoto-en-onu-ldquo-un-desafio-de-ortega-a-ee-uu-rdquo>  
<http://www.confidencial.com.ni/articulo/4102/estrada-y-la-ldquo-doble-cara-rdquo-ante-ee-uu>  
<http://www.confidencial.com.ni/articulo/3966/la-ldquo-injerencia-rdquo-de-ee-uu-en-el-2006>  
<http://www.nacion.com/2011-05-23/Mundo/Relacionados/Mundo2758764.aspx>  
<http://www.nacion.com/2011-05-23/Mundo/NotaPrincipal/Mundo2758753.aspx>  
<http://www.confidencial.com.ni/articulo/4041/millones-de-dolares-sin-control-y-a-discrecion>  
<http://www.confidencial.com.ni/articulo/4040/la-ldquo-injerencia-rdquo-de-venezuela-en-2006>  
<http://www.confidencial.com.ni/articulo/4047/rodrigo-barreto-enviado-de-ldquo-vacaciones-rdquo>  
<http://www.nacion.com/2011-05-16/Mundo/NotasSecundarias/Mundo2757239.aspx>  
<http://www.nacion.com/2011-05-16/Mundo/NotaPrincipal/Mundo2746658.aspx>  
<http://www.nacion.com/2011-05-16/Mundo/Relacionados/Mundo2757244.aspx>  
<http://www.nacion.com/2011-05-16/Mundo/Relacionados/Mundo2746673.aspx>  
<http://www.confidencial.com.ni/articulo/3991/dra-yadira-centeno-desmiente-cable-diplomatico-eeuu>  
<http://www.confidencial.com.ni/articulo/3968/pellas-pronostico-a-eeuu-victoria-de-ortega-en-2006>  
<http://www.confidencial.com.ni/articulo/3967/barreto-era-ldquo-fuente-confiable-rdquo-para-eeuu>

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TO RUEHC/SECSTATE WASHDC 0291  
INFO WHA CENTRAL AMERICAN COLLECTIVE  
RHEFDIA/DIA WASHINGTON DC  
RUEAIIA/CIA WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC

C O N F I D E N T I A L MANAGUA 001145

SIPDIS  
STATE FOR WHA/CEN AND EEB/IFD/OIA  
STATE ALSO FOR WHA/EPSC  
TREASURY FOR INL AND OWH

E.O. 12958: DECL: 2019/12/18  
TAGS: [ECON](#) [EAID](#) [PREL](#) [PGOV](#) [NU](#)  
SUBJECT: NICARAGUA: CENTRAL BANK REPORTS OFFICIAL VENEZUELAN  
ASSISTANCE DURING FIRST HALF OF 2009

REF: 08 MANAGUA 1190; MANAGUA 571; 08 MANAGUA 1157

CLASSIFIED BY: Robert J. Callahan, Ambassador, U.S. Department of  
State, Executive Office; REASON: 1.4(B), (D)

SUMMARY

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11. (C) The Central Bank of Nicaragua (BCN) released a 2009 mid-year  
foreign assistance report on

December 3 which included a special section on Venezuelan  
assistance via the Bolivarian Alliance for the Americas (ALBA).  
The BCN reported that the Government of Nicaragua (GON) received  
\$283 million in assistance from Venezuela during the first six  
months of 2009, an increase of \$71 million versus the same period  
in 2008. Most of the new assistance comes from the ALBA  
"Solidarity Program," established to substitute the Millennium  
Challenge Corporation's (MCC) termination of \$62 million in  
assistance for Nicaragua in June. The International Monetary Fund  
has routinely expressed concern regarding the GON's lack of  
transparency in the use of ALBA funds. The presence of large  
amounts of Venezuelan cash circulating in the Nicaraguan monetary  
system is an additional concern, as it could stimulate inflationary  
pressure. BCN officials privately complain that the GON's  
non-compliance with budgetary regulations regarding Venezuelan  
assistance, and its reluctance to address the fraudulent November  
2008 municipal elections, might further alienate bilateral and  
multilateral donors to provide much-needed assistance for the GON's  
social programs.

CENTRAL BANK REPORTS 2009 VENEZUELAN FOREIGN ASSISTANCE

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12. (U) On December 3, the Central Bank of Nicaragua (BCN) released  
its 2009 mid-year foreign

assistance report to Nicaragua, which included a special two-page  
section on Venezuelan assistance via the Bolivarian Alliance for  
the Americas (ALBA). The two-page section, entitled "Venezuelan  
Cooperation," is broken down into four broad categories: petroleum  
cooperation, bilateral cooperation, ALBA Solidarity, and foreign  
direct investment. According to the BCN report, Venezuela provided  
\$283 million to the GON during the first six months of 2009, an  
increase of \$71 million over the same period in 2008. The report  
can be accessed at <http://www.bcn.gob.ni>

13. (U) The following is the actual table used in the BCN report detailing assistance to Nicaragua

during the first six months of 2009 versus the same period in 2008, in millions of U.S. dollars:

PETROLEUM COOPERATION	2008	2009
Donations from ALBA funds:	\$66.0	\$66.7
Loans (from PDVSA/Albacaruna):	\$66.0	\$64.5
SUBTOTAL:	\$132.0	\$131.2

BILATERAL COOPERATION	2008	2009
Donations to the Public Sector:	\$1.7	0.0
Donations to the Private Sector:	\$15.0	0.0
Loans to the Private Sector:	0.0	0.0
SUBTOTAL:	\$16.7	0.0

ALBA SOLIDARITY	2008	2009
Donations to the Government:	0.0	\$50.0
SUBTOTAL:	0.0	\$50.0

FOREIGN DIRECT INVESTMENT	2008	2009
Refinery:	\$11.8	\$1.9
Electricity Generation:	\$51.0	\$100.3

SUBTOTAL: \$62.8 \$102.2

TOTAL: \$211.5 \$283.4

#### ALBA SOLIDARITY PROGRAM

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14. (U) On June 13, Venezuelan President Hugo Chavez announced the creation of the ALBA Solidarity

Program to help the GON continue road construction and property titling projects terminated by the Millennium Challenge Corporation (MCC) in June. MCC's funds were terminated as a result of the fraudulent Nicaraguan elections in November 2008 (Ref A). ALBA Solidarity donated \$50 million for these projects: \$35 million for road construction in the department of Leon, and \$15 million for property titling in the departments of Leon and Rivas. [Note: The World Bank plans to provide an additional \$10 million in loans to support the property titling program in several departments. End Note.] ALBA Solidarity blatantly copied the direct administration model developed by MCC for Nicaragua to implement the projects.

#### IMF REACTION

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15. (SBU) The International Monetary Fund (IMF), under its Poverty Reduction and Growth Facility,

has repeatedly pressed the GON to account, or at least provide an approximation of, the inflow of Venezuelan funds (Refs B and C). On December 10, Luis Cubeddu, Deputy Division Chief of the IMF's Western Hemisphere Department, told Econoff that the BCN foreign assistance report was a direct result of the IMF's pressure on the GON to account for these funds in a more transparent manner. A primary concern for the IMF is the potential for inflationary pressure in Nicaragua as a result of a large amount of Venezuelan cash flowing into its monetary system.

#### ALIENATING OTHER DONORS

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16. (C) Mario Gonzalez, Chief Executive Officer of Invercasa, a stock brokerage company, and

member of the BCN board of directors, told Econoff he worries that the GON's lack of transparency might further alienate bilateral and multilateral donors, with the exception of Venezuela. He stated that the FY 2010 budget contains a deficit of \$280 million, which the GON assumes will be filled by donors (septel). Jose de Jesus Rojas, General Manager of the BCN, acknowledged that donors are losing patience with the GON's lack of transparency on budgetary and political issues. He noted that donors are becoming more reluctant to provide assistance for FY 2010 until the GON answers questions on the use of Venezuelan assistance and the fraudulent November 2008 municipal elections.

#### COMMENT

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17. (C) The GON is under pressure from international donors to be more transparent about

Venezuelan assistance as rumors abound that a significant portion of Venezuelan funds enter Nicaragua through unofficial channels. In addition, donors seek to ensure free and fair elections in 2010 and 2011. Despite these concerns, however, the GON refuses to account for these funds through the budgetary process and risks losing much-needed donor assistance in FY 2010. We believe that President Ortega and his Sandinista National Liberation Front (FSLN) Party will continue to stonewall critics of ALBA assistance to Nicaragua because these funds finance FSLN political patronage and business enterprises designed to ensure Ortega's reelection in 2011.

CALLAHAN